

# BUDGET LETTER

		NUMBER: 04-20
SUBJECT: EXPENDITURE AUTHORIZATION CONTROLS		DATE ISSUED: AUGUST 4, 2004
REFERENCES: BUDGET ACT OF 2004 (CHAPTER 208, STATUTES OF 2004); BUDGET LETTER 04-18		SUPERSEDES: BL 03-26

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

## I. GENERAL POLICY

State policy must be administered in accordance with the plan of expenditures approved by the Legislature. The State's policy is that the enacted budget is deemed to be as complete as possible. Any subsequent adjustments must be limited to **critical and unanticipated** needs and must comply with Budget Act control provisions, other statutes, and the revised deficiency funding process for the 2004-05 fiscal year. (Please refer to Budget Letter 04-18 for a more complete discussion of the changes in the deficiency process).

### Full Compliance and Timely Submittal of Requests are Mandatory

Each Agency Secretary/Department Director is responsible for compliance with the provisions of the Budget Act, as well as other administrative and statutory requirements controlling expenditures. Agency Secretaries/Department Directors must ensure that all program managers, who exercise delegated powers over expenditures, are thoroughly knowledgeable about all expenditure controls and the potential consequences for non-compliance. However, **the ultimate responsibility for managing within appropriations rests with the agency secretary and department director.**

In addition to complying with the provisions of the Budget Act, **timely submittal of request is also required.** Timely submittal of requests gives the Legislature time to conduct meaningful review of these requests. Recently, there have been several late requests, which have resulted in admonitions by Legislature. If the executive branch is to retain the needed flexibility to administer State programs, we must be respectful of the Legislature's role in appropriating funds. Full compliance with reporting requirements and restrictions enacted by the Legislature and timely submittal are mandatory.

In addition to the expenditure controls cited above, the Budget Act Control Sections described in Sections II through V of this Budget Letter contain various other provisions regarding the limitations and notifications required with respect to expenditure adjustments. Finance will not submit budget Executive Orders/Budget Revisions to the State Controller that do not comply with these requirements.

## II. SECTION 8.50—FEDERAL FUNDS

Section 8.50 expresses legislative intent that applications made by state agencies for federal funds shall be for the maximum amount allowable under federal law. In addition, this section appropriates unanticipated amounts received from the federal government, subject to provisions of the Budget Act

that apply to the expenditure of these amounts, including Section 28.00.

Section 8.50 contains legislative reporting requirements if federal funds for block grants or any budget item are reduced by more than 5 percent of the amount appropriated in the Budget Act.

### III. SECTION 26.00—INTRASCHEDULE TRANSFERS

Section 26.00 authorizes the transfer of funds within an item of appropriation. Augmentations of any line of any schedule are limited by amount or percentage, as specified. In addition, transfers may not establish a new program, project, or function.

Any transfer in excess of \$200,000 requires a 30-day advance notification letter to the Legislature. A waiver of the 30 days may be requested.

### IV. SECTION 28.00—ADDITIONAL FUNDS RECEIVED FROM NON-STATE SOURCES

Section 28.00 authorizes Finance to approve the expenditure of unanticipated funds to be received from the federal or local governments or any other non-state entity. **Section 28.00 does not allow Finance to increase appropriations** authorized by the Legislature. Section 8.50 is the authority to increase the federal funds appropriation. Other non-state, unanticipated receipts must be appropriated by other authority or be received as reimbursements. Regardless of the source of the additional funding, any augmentation that exceeds either \$200,000 or 10 percent of the amount available for expenditure in the affected program, project, or function must be reported to the Legislature and may not be authorized until 30 days after the notification. This reporting requirement does not apply to federal funds related to caseload increases in Medi-Cal, CalWORKs, and Supplemental Security Income/State Supplementary Program.

No proposed expenditure may be made from any additional funds reported in a Section 28.00 letter to the Legislature prior to the approval and return of the Section 28.00 application by Finance. If a department expends funds without proper approval, it will be required either to absorb such expenditures within its existing appropriations or to sponsor legislation to authorize the expenditure.

### V. SECTION 28.50—ADDITIONAL FUNDS RECEIVED FROM STATE SOURCES

Section 28.50 authorizes Finance to approve a state department's expenditure of money received as reimbursement from another state department. Finance approvals that exceed \$200,000 must be reported to the Legislature and may not be authorized until 30 days after the notification. However, if the funding for the department providing the reimbursements has been approved by the Legislature, these approvals are considered technical in nature and are authorized in Section 1.50 of the Budget Act. Guidelines for Sections 26.00, 28.00, and 28.50 are available in the Budget Analyst Guide at <http://www.dof.ca.gov/fisa/bag/bagtoc.htm>

Please contact your Finance budget analyst if you have any questions regarding expenditure authorization controls or the above mandated reporting requirements.

/s/ Stephen W. Kessler

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